



**DEPARTMENT OF
HUMAN SERVICES**

Pharmacy benefits

Optional vs. mandatory benefit

- Pharmacy optional Medicaid benefit for those older than 21
- Pharmacy is essentially a mandatory benefit for members under the age of 21
 - Early and Periodic Screening, Diagnostic and Treatment requires states to provide all Medicaid-covered, appropriate and medically necessary services, even optional benefits that aren't covered through the State Plan
 - Does not require coverage of experimental or investigatory services or drugs



What drugs are covered?

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- Any FDA-approved prescription medication manufactured by a drug company that participates in the federal Medicaid Drug Rebate Program. If manufacturers participate in the rebate program, Medicaid must cover their drugs.
 - Limited exceptions exist.

How DHS pays for prescription drugs

Fee for service

- DHS processes the claims and pays providers directly.

Managed care organizations

- DHS pays the managed care organizations to provide benefits to their enrollees. The MCO processes the claims and pays providers.



How people we serve access drugs



Outpatient pharmacy

- Drugs dispensed by a pharmacy for self-administration or consumption
- Billed by the pharmacy as a pharmacy claim



Provider administered

- Drugs administered to a member by a provider in an outpatient clinic or facility
 - Many of the drugs require administration by a provider, are accompanied by other concurrent treatment or require closer monitoring.
- Billed by the provider as part of the medical claim

How pharmacy reimbursement works



Parts
(the cost of the medication itself)



Labor
(the cost of dispensing drugs)

How can the pharmacy benefit be managed?

Prior authorization

Ensures the drugs are safe, effective and the most cost advantageous option (when applicable). Promotes appropriate utilization and program integrity.

Preferred drug list

Similar to prior authorization but generates supplemental drug rebates.



Federal Medicaid Rebate Program



- Complicated process
- Rebate given to the state then shared with the federal government
- Average manufacturer price:
 - Brand name drugs: 23.1%
 - Generic drugs: 13.1%

Federal Medicaid Rebate Program

- Federal law prohibits state Medicaid programs from talking about drug prices, rebate amounts and the average manufacture price
- Only allows sharing of aggregate information
- Limits transparency on actual costs of drugs



Pharmacy snapshot: state fiscal year 2018



825,000: Medical Assistance members filled at least one prescription



\$1.1 billion: Outpatient prescription drug expenditures (excluding rebates)



\$600 million: Federal Medicaid drug rebates Minnesota collected



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Compliance with outpatient drug rule

Timeline

February 2012

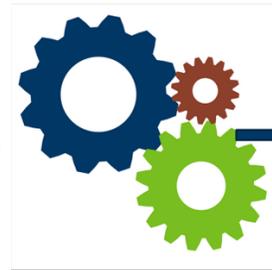
CMS issues proposed outpatient drug rule to ensure the federal government's payments for prescriptions are based on actual drug costs.

Winter/spring 2017

Governor's budget includes a proposal to comply with the rule. Included in Conference Committee and Governor positions but not final bill.

Sept. 29, 2017

Minnesota issues response letter indicating the agency believes it is in compliance at this time.



February 2016

CMS issues final outpatient drug rule effective April 1, 2017.

Aug. 30, 2017

CMS issues letter inquiring about status of Minnesota's State Plan Amendment to comply with rule.

May 18, 2018

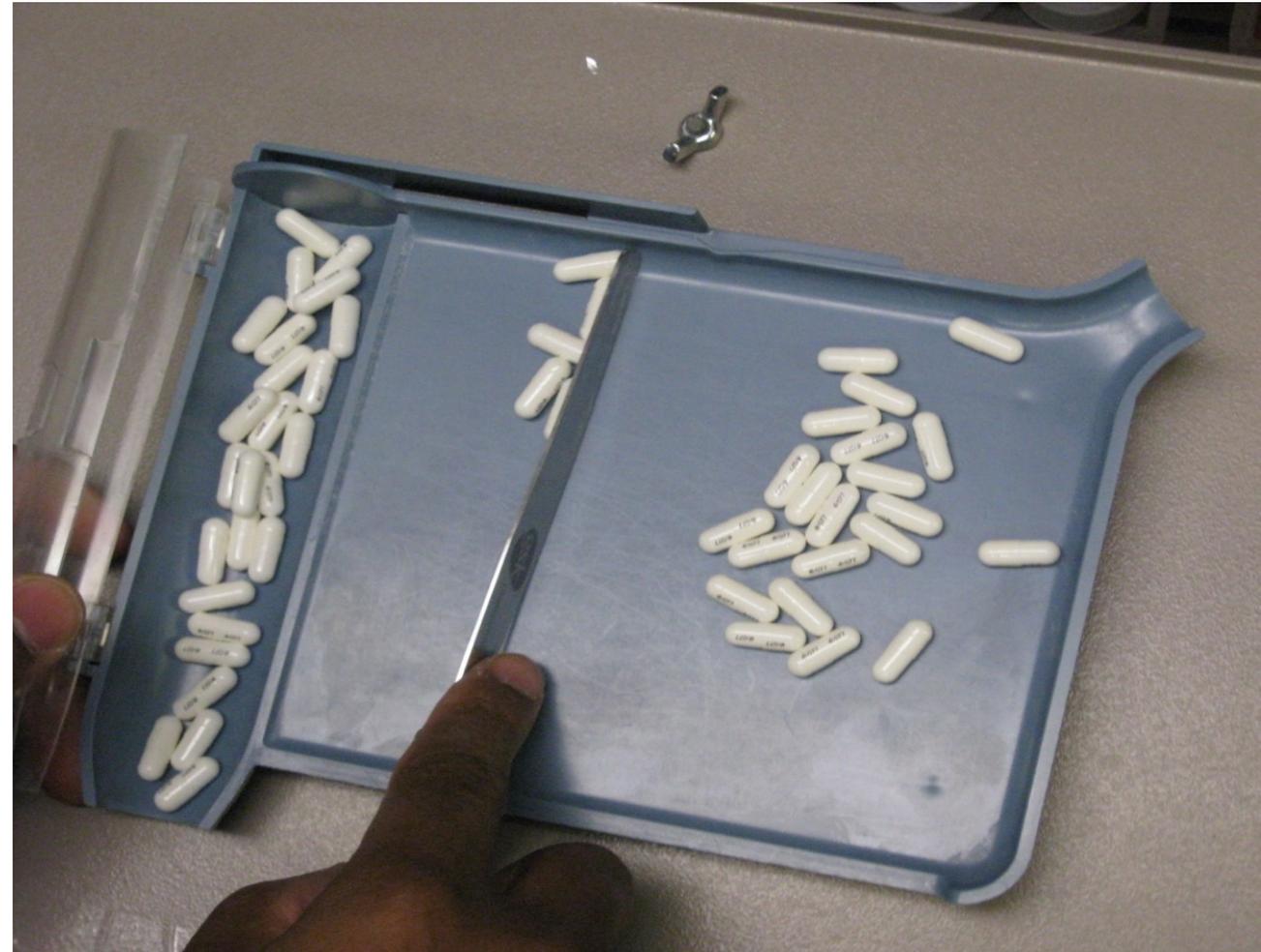
CMS confirms via email it considers Minnesota out of compliance and indicates CMS has the option of withholding federal financial participation.

Outpatient drug rule: drug reimbursement

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- **Currently:** drug are reimbursed based on estimates
 - **2019 framework:** reimbursement based on a national average of acquisition cost: National Average Drug Acquisition Cost (NADAC).

Outpatient drug rule: dispensing fees

- **Currently:** \$3.65 per prescription
- **2019 framework:** \$10.48 per prescription (based on survey data from similarly situated state: Indiana)
- Establish ongoing cost-of-dispensing surveys for Minnesota pharmacies every three years to ensure accuracy of dispensing costs



Stakeholder engagement

2% add-on tax for pharmacies

- To cover tax passed on by drug wholesalers to pharmacy providers
- Requires federal approval

Supplemental payments to 340B providers

- Ongoing supplemental funding to 340B providers to prevent barriers to accessing care for enrollees



Outpatient drug rule: hemophilia clotting factor



Repeals a statute prohibiting DHS from managing hemophilia clotting factor on the state's Preferred Drug List



Savings can be achieved through supplemental drug rebates or a market shift to less expensive, therapeutically appropriate alternatives

Thank you

Questions?